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One: California: Long on IT Technology but Short on State Tax Revenues

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CALIFORNIA: LONG ON IT TECHNOLOGY BUT SHORT ON STATE TAX REVENUES

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Given the disruptions experienced in the recent past – a bursting technology bubble, a stock market purging itself of speculative excesses, fraudulent corporate accounting practices, and a war on terrorism still in its early stages – long-term forecasting is difficult. There is a strong temptation to predict a break from California's long-term favorable trend, particularly in view of the recent exceptional economic weakness that took California from 4th place among the 50 states (personal income growth) in 2000, to 43rd place in 2001. Given the slow start recorded for 2002, a further decline in rank could yet occur.

However, history also has another lesson. During much of the period since World War II, California has been tainted with business climate issues (high taxes, Proposition 13, budget deficits, infrastructure crises, etc.), increased congestion, high home prices, and major regional recessions. These perturbations have not appeared to have more than temporary impacts on the long-term trend toward an increasing share of national population, real output, and employment. Will the latest juncture be any different?

In-Migration

California's share of the national population increased from 10.5% of the nation in 1980 to 12.0% in 1990 and 12.4% in 2000 (following an epic bust and a subsequent boom in the 1990s). Residual effects of the late 1990s' boom were apparently still with us through 2001. The California Department of Finance estimated that net migration into California from both domestic and foreign origin was 374,000 in 2000 and 366,000 in 2001. These were the two highest annual totals since 1989, and are likely to represent, to some extent, a delayed response to the prosperity of the late 1990s. Appendix tables to this chapter show prior history and projections for the future.

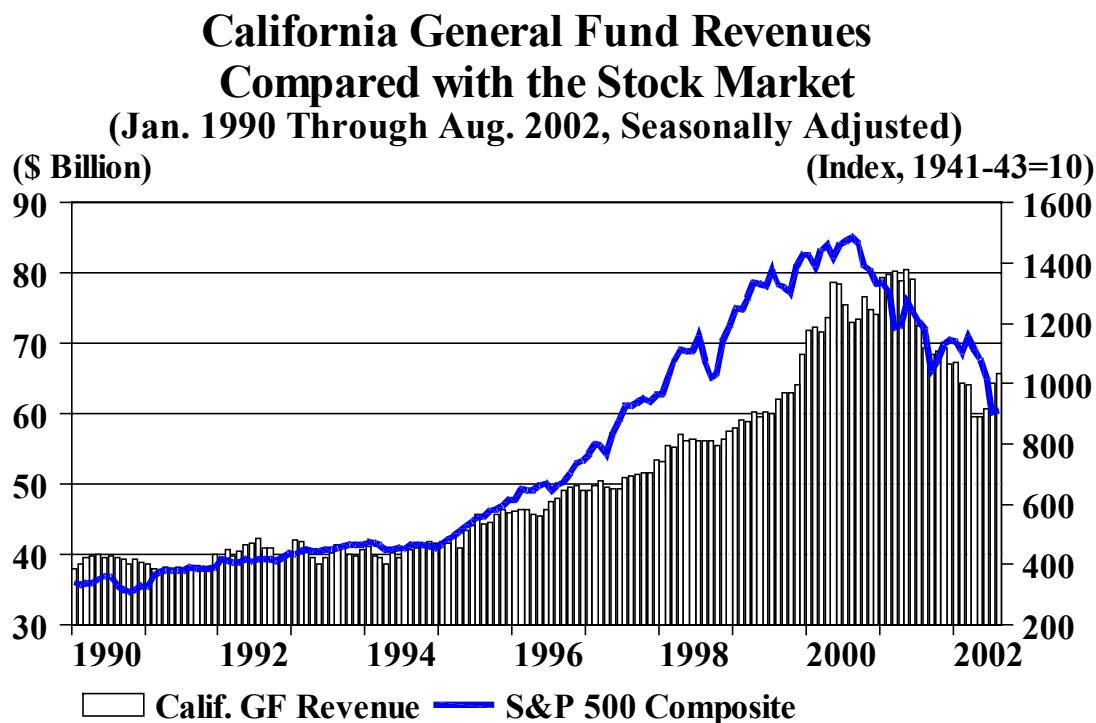
The strong recent trend in net migration may also help to explain the recent surge in housing demand in California. Historically there has been a strong accelerative link between migration and new residential construction. In California, where new housing supply has been constrained in recent years by a number of factors, prices of the existing housing stock have lately been bid up at a rapid rate. Given the weakness of California's economy during 2001-2002, it is unlikely that this surge in migration will persist. The migration projections in this report from 2002 onward occupy a middle range consistent with the pre-2000 experience.

Information Technology

California's information technology (IT) sector is in a very early stage of recovery in production, sales, and investment. But with limited profitability, cost control has become the industry norm. An important consideration in the next phase in California will be the industry's willingness to place incremental business and jobs in the state. California is still comparatively expensive as a place to operate, compared with less

costly locations in other states. When the aerospace industry faced a similar decision over a decade ago, California was the loser: employment in the state's aerospace sector declined much more than the federal defense budget.

Chart 1



The state budget situation, a multi-year structural deficit, will likely be prolonged if not fundamentally improved. California state tax revenues during the current fiscal year, 2002-2003, will likely be augmented by bond sales and electricity repayments to the General Fund. That event would postpone the reckoning for the major part of the cumulative budget woes to the following year, fiscal 2003-2004. Although the state's progressive tax system should begin to generate revenues at an accelerating rate by 2003, it is unlikely that income growth will soon approach the pace of 1999 and 2000, when surging stock market gains boosted state revenues from capital gains.

Highlights of the California Forecast The Short-Term Outlook: Improved

California's initially mild downturn became a prolonged slump by mid-2002. But the private sector has two prominent bright spots: a robust housing sector that is being driven by low interest rates, and renewed growth in the state's foreign trade. We expect to see some improvement in employment growth in 2003. Based on an improving national economy, growth of non-farm employment is projected to average 1.5% in 2003 and 2.4% in 2004.

The principal swing sector in the economy in this cycle has been service employment, a traditionally strong source of employment growth, which has now become a weak spot. Although there are many components to the service sector, the driving factor in this pattern of weakness has been the business services. Such services went from being the main engine of California's late-1990s boom to being the primary factor in the dot.com demise of 2001 and 2002.

Personal income at this point in time is probably not capable of being dragged much lower by receding stock market proceeds, and will soon reflect a gradually improving labor market outlook. By 2003, income growth will likely exceed the inflation rate again. Real income gains of 1.7% and 2.7% are projected for 2003 and 2004, respectively.

The California unemployment rate remained persistently higher than the national jobless rate in 2002, and is predicted to remain at a higher level even as it improves. The unemployment rate in the state will remain in the vicinity of 6.5% through the middle of 2003 as a result of relatively subdued job growth and resumed labor force expansion, and will improve only modestly to 6.3% in 2004.

A principal difference between California and the nation in 2001 and 2002 has been the weakness of consumer spending in California, partly related to the weakness of personal income. Consumer spending in California is approximated by taxable sales, which have been declining in marked contrast to the expansion in real consumer spending that has kept the national economy above water so far this year. An improved outlook for California in 2003-2004 is reflected in forecast growth of 4.9% and 5.9% for taxable sales in those years.

Summary of the Long-Term California Forecast Population and Employment

Population growth will average 1.5% per year from 2001-2020. This is sharply lower than the most recent two years, 2000 and 2001, when population increased nearly 2% annually. A strong surge in migration from both domestic and international sources during the 2000-2001 period likely will not be repeated anytime soon in view of California's current economic weakness. These assumptions result in a 2020 California population of 45.8 million, about the same as last year's long-term projection.

Non-farm employment growth from 2001-2020 will average 1.8% per year. Similar growth will occur in household employment.

The unemployment rate, projected to increase from 5.3% in 2001 to 6.4% in 2002, will gradually return to a near-full employment rate of 5.3% in 2020.

Personal Income, Taxable Sales, and Building Permits

Personal income growth during the 2001-2020 interval will average 5.9% annually at a compound rate. This assumes an annual growth of 2.9% in real personal income and a yearly inflation growth of 2.9%.

Taxable sales in California will gradually rebound from the current declining trend, and are projected to increase at an annual compound rate of 6.1% from 2002 to 2020. Real growth of sales will be 3.1% annually with a projected inflation rate of 2.9%.

In California Policy Options 2002, we predicted that home prices would in the long run become an obstacle to new housing construction. To date that has not happened, although because of low mortgage rates, (relatively) high-priced housing is now more affordable. The projected annual new home construction for 2002-2020 averages about 167,000 total units. This supply of new dwellings will not adequately house the population to the same material standards enjoyed in most other regions, but California, we believe, has compensating advantages.

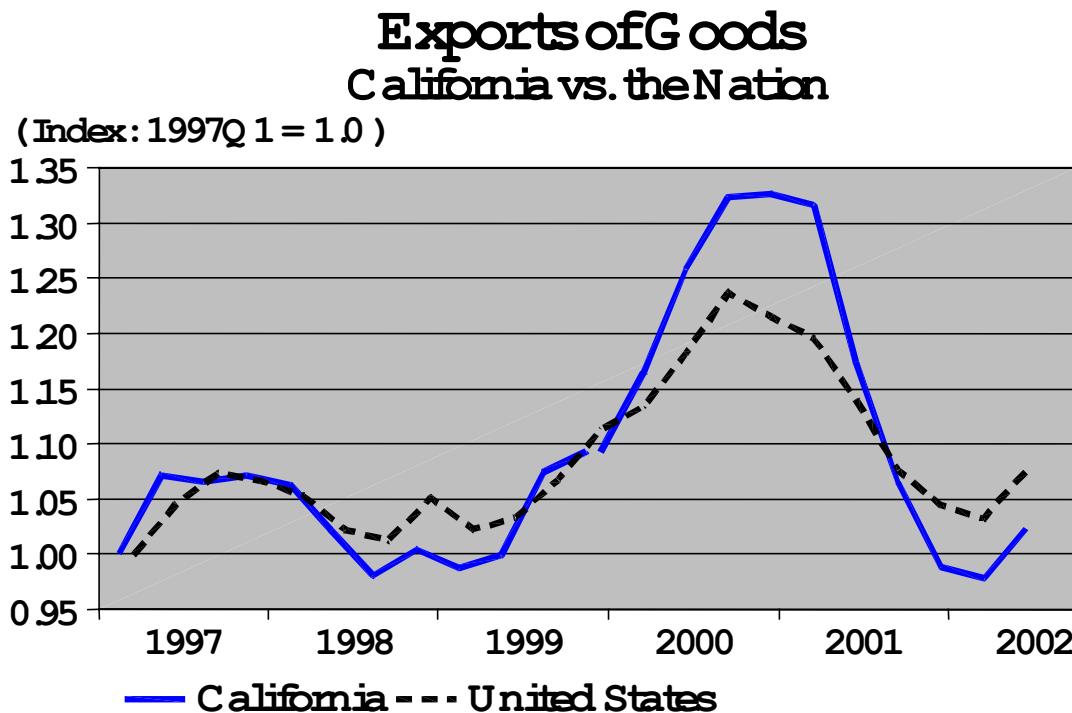
Recent Evidence for California's Economy Labor Force, Employment, and Unemployment

So far, there is no evidence of recovery in the California labor market as an entity or most of its major regions. The San Francisco Bay area remains particularly afflicted, with the latest data on employment growth in the San Francisco and San Jose MSAs depicting a worsening trend. But the jobless rates in those regions appear to have stabilized, probably because of a contraction in the labor force. The Oakland MSA appears to be the least affected of major Bay Area regions, probably because it is less sensitive to dot.com distress. Neither nationally nor in California is there convincing evidence that the jobless rate has bottomed out in this cycle.

California International Trade

Although the state's ports remain under the cloud of a potentially disruptive strike, available trade data show an increase in dollar value of both exports and imports. The trade data on Chart 2 are presented somewhat differently from the format of past UCLA Forecast reports. NAICS-based data series on exports, provided to us by the MISER project at the University of Massachusetts, now consists of 22 quarterly observations, more than enough to allow for seasonal adjustment. Surprisingly, the improvement in California exports happened without any contribution from high-tech goods, which are the state's principal product.

Chart 2



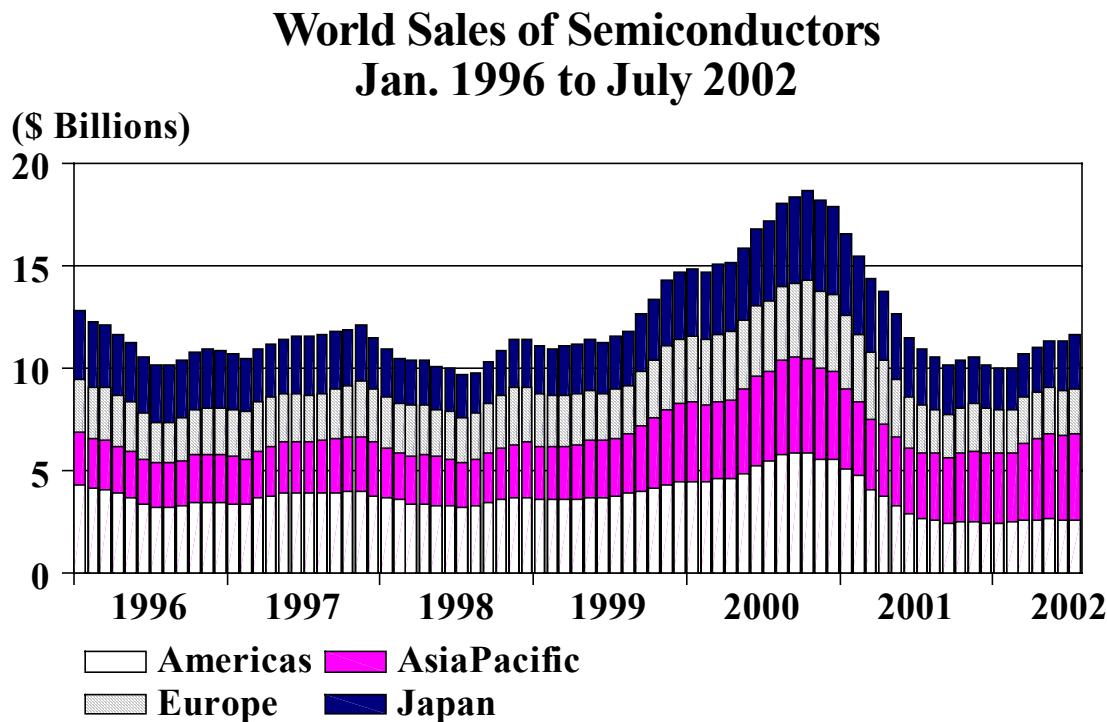
The Status of the Technology Sector

Were it not for the disproportionate importance of information technology business in the California economy, the state would likely be having a more “normal” downturn that would now be ending.

Business services in California were 9.2% of non-farm employment in January 2001 (the estimated peak for payroll jobs), compared with the U.S. share of 7.5%. The communications and electronics industries employed 2% of the California total, compared with the national share of just 1.3%. For instance, in Santa Clara County, business services were 16% of total non-farm employment, and communications and electronics were 9.3%. Thus, California had a specialization in these sectors particularly concentrated in the Silicon Valley economy.

By most measures, the production and sales of information technology equipment resumed growth at a moderate pace during 2002. As shown on Chart 3, world sales of semiconductors, generally regarded as the basic building block of this industry, have increased. Sales remained sluggish in North America and Europe, but were buoyant in the Asian markets. Sales in Japan (currently about 23% of the world market) rose as they did in the rest of the Asia Pacific region (about 36.5% of global sales).

Chart 3



In short, most measures of IT industry production and sales activity show an incipient rebound beginning in the first half of 2002. Lagging indicators would include industry profits and employment. However, with some exceptions, corporate industry leaders are continuing to show either weak earnings growth or losses. With the current equity market emphasis on profitability (not to mention, transparency), cost-cutting has become the IT industry norm. With draconian cost control in effect, and few net new business formations, California employment growth has been almost non-existent in the major IT categories of electronics manufacturing and software services.

Construction and Real Estate

Most indicators of residential real estate in California have been showing a gradual cooling trend for several months. Price trends have been mixed, with a cooling trend underway in the Bay Area, but continued increases in the Southern California medians (as reported by the California Association of Realtors, CAR). The Bay Area median price in mid-2002 was about \$540,000. In view of the serious weaknesses in other aspects of the Bay Area economy, further decline in the median price is likely. Los Angeles County home prices continued upward, reaching \$286,100 in mid-2002. In San Diego County, the median price reached \$376,250, possibly a concern in an area where per capita income is only about 10% higher than in L.A. County.

Additional perspective on home prices may be gained from the recent quarterly surveys by the Office of Federal Housing Enterprise Oversight (OFHEO), a federal agency which uses data from FNMA and FHLMAC to estimate regional and state home

price indices. In the June 2000 survey, among the twenty MSAs with the highest annual rates of home price appreciation, the top seven were all in the Bay Area. The June 2002 survey showed no Bay Area MSA ranked among the top 20 in the nation. Thus, although Bay Area prices are by far the highest in the nation, they are no longer increasing.

Residential construction, as measured by building permits, continues to show the highest volume in a decade, although it is well below record levels. While low interest rates have thus far offset the weak economy in helping to maintain a strong pace in sales of residential real estate, the nonresidential sector has become overbuilt, especially in the Bay Area. According to the surveys of CB-Richard Ellis, office vacancy rates in most major metropolitan areas in California continued to increase during the first half of 2002.

Personal Income

Table 1 may help to illustrate why the Bay Area's technology bust has been so painful to the California economy and to the state budget. In year 2000, the per capita personal income figures for San Francisco and San Jose were 95% and 87%, respectively, above the national average. The jobs lost in the Bay Area, accordingly, reflected this much higher level of earnings, which included compensation related to the stock market (options and bonuses).

Buy the Bonds

Despite California's current distress – and its special problems in the dot.com sector – the state's propensity to grow faster than the U.S. as a whole, continues. But the critical questions are how fast and what the quality of life will be for future Californians. Infrastructure in education and transportation will play a critical role in determining the answers to those questions. Housing patterns seem destined to change as well; it is unlikely that population growth can be accommodated simply by replicating the suburban pattern of freeways and single-family residences that developed in the 1940s. The state will also need to put its fiscal house in order, as well as, avoiding deficit spending at the peak of the business cycle that leads to budget crises in the downturns.

Still, without discounting California's problems, the UCLA Anderson Forecast remains bullish on the state's long-term prospects. The state's high-tech industries will recover from the boom/bust cycle. It remains a center of entertainment services. Even its once high flying aerospace industry has at least bottomed out and is likely to show future growth. Buy the state's bonds; California is not going away!

Table 1

**Per Capita Personal Income
Major California Metro Areas**

	2000 Dollars	1999-2000 % Ch.	2000 Rank	1990 Rank
Nation	29,469	5.8	--	--
California	32,149	8.0	--	--
San Francisco	57,414	15.2	1	1
San Jose	55,157	20.1	2	12
Oakland	39,611	10.6	13	17
Orange County	34,862	5.8	27	14
San Diego	32,515	7.3	41	50
Ventura	31,919	7.2	45	31
Sacramento	30,252	6.1	67	62
L.A. County	29,522	5.0	78	35
Riverside - S.B.	23,350	4.6	248	138
Fresno	21,121	4.2	301	205

Source: U.S. Department of Commerce, Bureau of Economic Analysis

Appendix Table. Summary of the UCLA Anderson Forecast for California

	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990
Personal Income, Taxable Sales, and Price Inflation (%Change)										
Personal Income (Bil.\$)	320.7	341.9	367.5	411.6	447.1	477.8	517.3	561.1	606.7	655.6
Calif. (% Ch)	12.0	6.6	7.5	12.0	8.6	6.9	8.3	8.5	8.1	8.1
U.S. (% Ch)	11.9	6.5	6.4	11.1	7.3	5.6	6.7	7.8	7.7	6.6
Pers. Income (Bil. 96\$)	528.8	532.7	556.4	597.6	621.3	641.0	666.4	692.7	715.8	738.8
Calif. (% Ch)	2.6	0.7	4.4	7.4	4.0	3.2	4.0	3.9	3.3	3.2
U.S. (% Ch)	2.8	0.8	2.1	7.2	3.8	3.1	2.8	3.8	3.2	1.9
Taxable Sales (Bil.\$)	155.1	154.5	169.1	193.8	208.4	217.3	231.6	250.9	271.8	281.9
(% Ch)	8.7	-0.4	9.4	14.6	7.5	4.2	6.6	8.3	8.3	3.7
(Bil. 96\$)	255.9	240.7	255.9	281.4	289.7	291.5	298.3	309.7	320.6	317.7
(% Ch)	-0.4	-5.9	6.3	10.0	2.9	0.6	2.3	3.8	3.5	-0.9
Consumer Prices (% Ch)	10.8	6.6	1.6	5.0	4.6	3.1	4.2	4.6	5.0	5.5
Employment and Labor Force (Household Survey, % Change)										
Employment	1.3	0.3	1.2	4.8	3.6	3.3	4.0	3.4	3.0	3.9
Labor Force	2.0	3.1	0.9	2.7	2.9	2.7	3.0	2.9	2.7	4.7
Unemployment Rate (%)	7.4	9.9	9.7	7.8	7.2	6.7	5.8	5.3	5.1	5.8
U.S.	7.6	9.7	9.6	7.5	7.2	7.0	6.2	5.5	5.3	5.6
Total Non-farm										
Calif.	1.4	-1.8	1.1	4.8	3.7	2.9	3.5	3.8	2.7	2.1
U.S.	0.8	-1.8	0.7	4.7	3.2	2.0	2.6	3.2	2.5	1.4
Mining	13.2	2.4	-5.3	-0.2	0.4	-14.9	-8.4	1.3	-1.2	1.1
Construction	-4.8	-14.4	4.9	11.1	7.0	3.3	8.2	8.6	5.8	0.4
Manufacturing	0.7	-3.7	-1.5	4.0	1.0	0.8	1.0	1.8	0.5	-1.8
Nondurable Goods	1.5	-3.1	-2.1	0.9	-0.1	3.8	3.4	3.2	2.2	1.4
Durable Goods	0.3	-3.9	-1.3	5.4	1.5	-0.5	-0.1	1.1	-0.3	-3.4
High Technology	2.4	1.9	1.9	8.1	3.7	0.2	-0.2	-0.8	-1.1	-3.3
Trans. & Public Util.	1.5	-2.2	-2.0	1.5	2.5	2.7	2.6	0.9	1.6	2.3
Trade	1.5	-1.2	2.5	6.0	4.1	3.1	3.8	4.8	2.2	1.4
Finance, Ins. & R.E.	3.2	-0.1	1.8	3.7	2.9	4.5	3.6	2.4	2.1	2.5
Services	3.8	0.7	3.4	6.8	6.0	4.6	5.2	5.3	4.3	4.6
Federal Gov't	-1.9	-0.1	0.2	2.0	2.6	1.0	0.9	1.2	1.2	1.1
State and Local Gov't	-0.1	-1.5	-0.8	1.2	2.6	3.0	2.8	3.0	3.8	4.4
Nonfarm Employment (Payroll Survey, Thous.)										
Total Nonfarm	9985	9809	9919	10390	10770	11085	11471	11910	12237	12499
Mining	49	50	48	48	48	41	37	38	37	38
Construction	408	349	366	407	436	450	487	529	560	562
Manufacturing	2032	1958	1928	2005	2024	2039	2060	2097	2107	2068
Nondurable Goods	648	628	615	620	620	643	665	686	701	711
Durable Goods	1384	1329	1312	1384	1404	1396	1395	1411	1406	1357
High Technology	614	626	638	689	714	715	714	708	700	677
Trans. & Public Util.	555	543	532	540	553	568	583	588	598	612
Trade	2302	2275	2332	2473	2575	2655	2755	2887	2952	2992
Finance, Ins. & R.E.	643	642	654	678	697	729	755	773	789	809
Services	2240	2257	2335	2493	2643	2765	2910	3064	3196	3342
Federal Gov't	328	327	328	334	343	346	350	354	358	362
State and Local Gov't	1428	1407	1396	1413	1449	1493	1534	1580	1640	1713
Population and Migration										
Net Immigration(Thous)	272	288	285	233	332	368	378	373	418	305
Population (Thous)	24278	24805	25337	25816	26403	27052	27717	28393	29147	29856
(% Ch)	2.1	2.2	2.1	1.9	2.3	2.5	2.5	2.4	2.7	2.4
Construction Activity and Home Values										
Residential Building										
Permits (Thous. Un.)	105	85	168	220	272	314	253	256	238	166
Home Values-LA Co (% Ch)	6.2	1.6	-0.5	2.5	2.7	8.0	15.3	20.9	20.0	-1.1
Nonres.Const. (Mil. 96\$)	13032	11851	13844	16569	18207	18008	16822	17687	16462	14903

Appendix Table. Summary of the UCLA Anderson Forecast for California

	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000
Personal Income, Taxable Sales, and Price Inflation (%Change)										
Personal Income (Bil.\$)	669.8	701.6	714.1	735.1	771.5	812.4	861.6	931.6	997.3	1094.8
Calif. (% Ch)	2.2	4.7	1.8	2.9	4.9	5.3	6.1	8.1	7.0	9.8
U.S. (% Ch)	3.7	6.0	4.1	5.0	5.3	5.6	6.0	7.0	4.9	8.0
Pers. Income (Bil. 96\$)	729.5	740.3	736.1	751.2	779.9	812.3	848.8	901.7	941.4	1004.3
Calif. (% Ch)	-1.3	1.5	-0.6	2.0	3.8	4.2	4.5	6.2	4.4	6.7
U.S. (% Ch)	-0.1	2.9	1.7	2.9	3.0	3.4	3.9	5.9	3.2	5.3
Taxable Sales (Bil.\$)	270.8	272.4	272.1	285.9	300.7	321.0	340.8	358.7	394.2	441.6
(% Ch)	-3.9	0.6	-0.1	5.1	5.2	6.7	6.2	5.2	9.9	12.0
(Bil. 96\$)	294.9	287.4	280.5	292.1	304.0	321.0	335.8	347.1	372.1	405.1
(% Ch)	-7.2	-2.5	-2.4	4.1	4.1	5.6	4.6	3.4	7.2	8.9
Consumer Prices (% Ch)	4.2	3.5	2.6	1.4	1.7	2.0	2.2	2.0	2.9	3.7
Employment and Labor Force (Household Survey, % Change)										
Employment	-2.2	-0.2	-0.5	1.2	0.5	1.8	3.9	2.8	2.4	3.3
Labor Force	-0.2	1.5	-0.4	0.4	-0.3	1.1	2.8	2.4	1.6	3.0
Unemployment Rate (%)	7.7	9.3	9.4	8.6	7.8	7.2	6.3	5.9	5.2	4.9
U.S.	6.9	7.5	6.9	6.1	5.6	5.4	4.9	4.5	4.2	4.0
Total Nonfarm										
Nonfarm Employment (Payroll Survey, % Change)										
Calif.	-1.1	-1.7	-0.9	0.9	2.2	2.6	3.0	3.6	2.9	3.5
U.S.	-1.1	0.3	1.9	3.1	2.7	2.0	2.6	2.6	2.4	2.2
Mining	-1.9	-4.3	-1.4	-8.5	-6.0	-2.6	-0.6	-13.3	-6.7	-0.1
Construction	-8.5	-8.2	-5.6	4.2	4.5	4.3	8.7	11.1	11.4	6.8
Manufacturing	-4.7	-4.1	-4.5	-1.6	1.0	3.2	3.4	1.9	-1.4	1.3
Nondurable Goods	-1.2	0.9	-1.9	0.5	0.9	1.1	1.6	-0.2	-0.3	0.7
Durable Goods	-6.5	-6.8	-6.1	-2.8	1.0	4.6	4.5	3.2	-2.1	1.6
High Technology	-5.6	-8.4	-9.8	-8.2	-1.1	4.4	4.3	2.4	-4.0	1.1
Trans. & Public Util.	0.2	-1.0	0.5	1.4	1.8	1.8	3.4	4.8	3.4	3.4
Trade	-2.3	-3.0	-0.8	1.2	2.5	2.0	2.5	2.5	2.5	2.9
Finance, Ins. & R.E.	-1.1	-0.9	0.3	-3.0	-5.0	0.7	2.9	5.4	2.2	0.3
Services	2.1	0.4	1.1	2.8	4.8	4.4	3.5	4.9	3.9	5.1
Federal Gov't	-4.0	-0.5	-2.8	-3.4	-4.0	-5.1	-3.8	-4.2	-0.9	1.0
State and Local Gov't	1.8	0.4	-0.3	1.4	1.5	1.3	2.1	2.0	4.0	3.8
Nonfarm Employment (Payroll Survey, Thous.)										
Total Nonfarm	12359	12153	12045	12159	12421	12743	13129	13595	13991	14487
Mining	37	35	35	32	30	29	29	25	23	23
Construction	514	472	446	464	485	506	550	611	680	727
Manufacturing	1971	1891	1805	1777	1794	1852	1914	1951	1923	1948
Nondurable Goods	702	708	695	698	705	712	724	722	720	725
Durable Goods	1269	1182	1110	1079	1090	1139	1190	1229	1203	1223
High Technology	638	584	527	484	479	500	521	534	512	518
Trans. & Public Util.	613	607	611	619	630	642	664	695	719	744
Trade	2922	2835	2812	2845	2915	2974	3049	3123	3201	3295
Finance, Ins. & R.E.	799	792	794	771	732	737	758	799	817	820
Services	3411	3426	3462	3558	3728	3890	4025	4224	4387	4612
Federal Gov't	347	346	336	325	312	296	285	273	270	273
State and Local Gov't	1743	1750	1744	1768	1795	1817	1856	1894	1969	2045
Population and Migration										
Net Immigration(Thous)	233	132	-45	-147	-149	-68	181	114	262	374
Population (Thous)	30511	31085	31481	31727	31916	32130	32555	32978	33481	34117
(% Ch)	2.2	1.9	1.3	0.8	0.6	0.7	1.3	1.3	1.5	1.9
Construction Activity and Home Values										
Residential Building										
Permits (Thous. Un.)	105	98	84	96	86	94	112	125	140	149
Home Values-LA Co (% Ch)	2.4	-2.8	-7.4	-4.1	-5.2	-3.5	1.7	8.6	4.1	9.5
Nonres.Const. (Mil. 96\$)	11066	9354	8384	8447	8363	9614	11733	13810	15047	16177

Appendix Table. Summary of the UCLA Anderson Forecast for California

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Personal Income, Taxable Sales, and Price Inflation (%Change)										
Personal Income (Bil.\$)	1114.5	1126.7	1173.7	1236.8	1315.0	1397.4	1491.2	1607.3	1716.3	1829.7
Calif. (% Ch)	1.8	1.1	4.2	5.4	6.3	6.3	6.7	7.8	6.8	6.6
U.S. (% Ch)	3.3	3.1	4.0	4.9	6.4	6.8	6.0	5.9	5.6	5.8
Pers. Income (Bil. 96\$)	989.8	975.8	992.2	1019.3	1055.5	1100.2	1141.6	1202.8	1242.8	1285.8
Calif. (% Ch)	-1.4	-1.4	1.7	2.7	3.5	4.2	3.8	5.4	3.3	3.5
U.S. (% Ch)	1.3	1.9	2.5	1.4	2.9	3.8	3.0	3.2	3.0	3.3
Taxable Sales (Bil.\$)	438.5	433.6	455.0	482.0	512.0	550.9	587.7	631.7	674.5	722.2
(% Ch)	-0.7	-1.1	4.9	5.9	6.2	7.6	6.7	7.5	6.8	7.1
(Bil. 96\$)	389.7	377.4	384.6	397.2	410.9	433.7	449.9	472.8	488.4	507.5
(% Ch)	-3.8	-3.1	1.9	3.3	3.5	5.5	3.7	5.1	3.3	3.9
Consumer Prices (% Ch)	4.0	2.6	2.7	2.6	2.6	3.3	2.5	2.4	2.4	2.6
Employment and Labor Force (Household Survey, % Change)										
Employment	1.2	0.1	1.6	2.4	2.2	1.9	2.6	2.1	2.0	1.9
Labor Force	1.6	1.3	1.7	2.2	2.3	2.3	2.5	2.1	1.9	1.7
Unemployment Rate (%)	5.3	6.4	6.5	6.3	6.3	6.7	6.5	6.5	6.4	6.2
U.S.	4.8	5.9	6.1	5.6	5.6	5.7	5.8	5.9	5.8	5.9
Total Nonfarm										
Calif.	1.4	-0.2	1.5	2.4	2.3	2.5	2.6	2.1	2.1	2.0
U.S.	0.2	-0.8	0.9	1.9	0.9	0.9	1.0	1.4	0.7	1.1
Mining	2.5	-2.5	-0.0	2.7	2.1	0.4	0.4	0.5	0.3	-0.3
Construction	5.6	-0.7	1.9	2.0	1.3	2.0	1.1	0.3	0.2	0.2
Manufacturing	-2.2	-4.4	-0.2	1.4	0.7	1.0	1.4	0.5	0.4	0.2
Nondurable Goods	-2.8	-1.8	0.9	0.8	0.2	0.3	1.5	0.2	0.1	0.1
Durable Goods	-1.9	-6.0	-0.8	1.7	1.1	1.5	1.3	0.8	0.5	0.3
High Technology	-1.6	-7.9	1.0	2.5	1.0	0.9	2.3	1.2	0.9	0.9
Trans. & Public Util.	0.9	-3.5	0.5	1.0	1.2	2.5	2.0	1.6	1.8	2.0
Trade	1.2	1.0	2.0	2.2	2.2	2.5	2.0	2.0	2.2	1.9
Finance, Ins. & R.E.	2.9	0.5	0.6	1.4	1.6	2.5	2.7	2.4	2.4	2.5
Services	1.6	-0.2	1.8	3.6	3.7	3.7	4.3	3.3	3.3	3.2
Federal Gov't	-6.4	-0.1	1.2	2.2	2.0	1.6	1.5	1.3	1.4	0.9
State and Local Gov't	4.0	3.1	2.1	1.7	1.6	1.5	1.5	1.6	1.7	1.6
Nonfarm Employment (Payroll Survey, Thous.)										
Total Nonfarm	14697	14675	14896	15247	15591	15988	16404	16753	17113	17461
Mining	24	23	23	24	25	25	25	25	25	25
Construction	767	762	777	792	802	818	827	829	831	833
Manufacturing	1905	1820	1817	1842	1855	1874	1900	1910	1917	1922
Nondurable Goods	705	692	698	704	705	707	718	719	720	721
Durable Goods	1199	1128	1119	1138	1150	1167	1182	1191	1197	1201
High Technology	510	469	474	486	491	495	506	512	517	521
Trans. & Public Util.	750	724	728	735	744	762	778	790	804	820
Trade	3336	3368	3434	3508	3585	3675	3749	3825	3908	3983
Finance, Ins. & R.E.	843	848	853	865	878	900	925	946	969	993
Services	4688	4680	4766	4939	5120	5311	5540	5724	5911	6098
Federal Gov't	255	255	258	264	269	274	278	282	285	288
State and Local Gov't	2128	2194	2240	2278	2313	2349	2383	2421	2462	2500
Population and Migration										
Net Immigration(Thous.)	366	283	251	237	222	225	229	232	216	215
Population (Thous.)	34794	35412	35986	36545	37093	37643	38200	38767	39328	39887
(% Ch)	2.0	1.8	1.6	1.6	1.5	1.5	1.5	1.5	1.4	1.4
Construction Activity and Home Values										
Residential Building										
Permits (Thous. Un.)	149	163	171	169	168	168	169	174	175	173
Home Values-LA Co (% Ch)	10.9	15.8	4.0	2.8	2.4	-1.4	4.2	3.7	3.3	3.2
Nonres.Const. (Mil. 96\$)	14004	10808	9462	9951	10520	11636	11872	12147	12395	12631

Appendix Table. Summary of the UCLA Anderson Forecast for California

	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020
Personal Income, Taxable Sales, and Price Inflation (%Change)										
Personal Income (Bil.\$)	1947.8	2062.6	2183.0	2310.8	2447.3	2593.5	2746.3	2922.4	3116.4	3299.2
Calif. (% Ch)	6.5	5.9	5.8	5.9	5.9	6.0	5.9	6.4	6.6	5.9
U.S. (% Ch)	5.9	6.0	5.9	5.8	5.7	5.7	5.8	5.7	5.7	5.6
Pers. Income (Bil. 96\$)	1320.8	1355.3	1388.9	1425.5	1462.3	1500.8	1539.2	1588.4	1643.8	1686.2
Calif. (% Ch)	2.7	2.6	2.5	2.6	2.6	2.6	2.6	3.2	3.5	2.6
U.S. (% Ch)	3.5	3.6	3.4	3.3	3.2	3.2	3.3	3.3	3.3	3.3
Taxable Sales (Bil.\$)	793.1	845.0	899.5	955.9	1015.0	1081.2	1150.5	1222.0	1295.3	1368.8
(% Ch)	9.8	6.6	6.4	6.3	6.2	6.5	6.4	6.2	6.0	5.7
(Bil. 96\$)	537.8	555.3	572.3	589.7	606.5	625.6	644.8	664.2	683.2	699.6
(% Ch)	6.0	3.3	3.1	3.0	2.9	3.2	3.1	3.0	2.9	2.4
Consumer Prices (% Ch)	2.0	2.7	2.7	2.6	2.5	2.6	2.8	2.6	2.5	2.4
Employment and Labor Force (Household Survey, % Change)										
Employment	1.7	1.6	1.6	1.5	1.5	1.6	1.6	1.7	1.5	1.4
Labor Force	2.2	1.7	1.3	1.4	1.5	1.5	1.7	1.4	1.6	1.4
Unemployment Rate (%)	6.6	6.8	6.6	6.5	6.5	6.4	6.5	6.3	6.3	6.4
U.S.	5.3	5.5	5.6	5.3	5.4	5.3	5.1	5.3	5.2	5.0
Total Nonfarm										
Nonfarm Employment (Payroll Survey, % Change)										
Calif.	2.3	1.6	1.5	1.4	1.5	1.5	1.5	1.7	1.5	1.3
U.S.	1.4	0.9	0.9	1.1	0.9	0.9	1.1	1.0	1.0	1.0
Mining	2.2	-0.5	-0.4	-0.3	-0.1	-0.3	-1.1	-1.3	-0.9	0.0
Construction	1.8	0.2	0.2	0.3	0.3	0.3	0.4	0.5	0.3	0.1
Manufacturing	0.9	0.1	0.2	0.2	0.2	0.2	0.1	0.1	0.0	0.1
Nondurable Goods	1.0	0.1	0.2	0.3	0.3	0.3	0.3	0.2	0.2	0.4
Durable Goods	0.8	0.1	0.2	0.1	0.1	0.1	0.0	-0.0	-0.1	-0.0
High Technology	1.2	0.2	0.3	0.2	0.2	0.0	0.1	0.1	0.0	0.0
Trans. & Public Util.	3.0	1.5	1.1	1.1	1.2	1.2	1.3	1.7	1.9	1.3
Trade	1.7	1.5	1.5	1.4	1.3	1.4	1.4	1.5	1.4	1.0
Finance, Ins. & R.E.	2.9	2.4	2.0	1.5	1.6	1.8	1.8	1.8	1.9	1.4
Services	3.7	2.4	2.0	1.9	2.1	2.1	2.2	2.4	2.0	1.8
Federal Gov't	1.0	1.1	1.1	1.0	1.0	1.0	1.1	0.8	0.7	0.8
State and Local Gov't	0.7	1.4	1.5	1.4	1.5	1.6	1.5	1.5	1.5	1.4
Nonfarm Employment (Payroll Survey, Thous.)										
Total Nonfarm	17861	18152	18421	18678	18955	19243	19539	19863	20156	20412
Mining	25	25	25	25	25	25	25	24	24	24
Construction	848	849	851	854	856	859	863	867	869	870
Manufacturing	1938	1940	1943	1947	1950	1953	1956	1957	1957	1960
Nondurable Goods	728	728	730	732	734	736	738	740	742	744
Durable Goods	1210	1211	1214	1215	1217	1217	1217	1217	1216	1216
High Technology	527	528	530	531	532	532	532	533	533	533
Trans. & Public Util.	845	857	867	877	888	899	910	925	943	955
Trade	4052	4114	4176	4237	4294	4352	4412	4477	4540	4587
Finance, Ins. & R.E.	1022	1047	1067	1084	1101	1121	1141	1162	1184	1201
Services	6321	6472	6603	6728	6871	7018	7173	7345	7490	7624
Federal Gov't	291	294	298	301	304	307	310	313	315	318
State and Local Gov't	2518	2553	2591	2626	2666	2709	2750	2793	2833	2872
Population and Migration										
Net Immigration(Thous)	214	213	212	211	213	216	219	222	226	229
Population (Thous)	40451	41018	41589	42163	42744	43333	43930	44536	45150	45772
(% Ch)	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4	1.4
Construction Activity and Home Values										
Residential Building										
Permits (Thous. Un.)	165	163	164	163	164	166	166	167	167	168
Home Values-LA Co (% Ch)	3.2	3.2	3.4	3.3	3.5	3.4	3.6	3.7	3.2	3.1
Nonres.Const. (Mil. 96\$)	12887	13139	13411	13677	13983	14293	14590	14871	15179	15497